

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 XMB-02 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-10 FRB-03 INR-10 NEA-10 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 DODE-00 NSCE-00 SSO-00 USIE-00
INRE-00 L-03 OES-07 DOE-11 SOE-02 DOEE-00 NASA-01
PM-05 ACDA-12 NRC-05 /147 W
-----123489 230153Z /72

O R 222017Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 7080
INFO ALL OECD CAPITALS
USMISSION GENEVA
AMEMBASSY BRUSSELS

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USOECD

USEEC

PASS TREASURY FOR HUFBAUER AND EXIMBANK FOR MOORE

E.O. 11652: N/A
TAGS: OECD, ETRD
SUBJECT: EXPORT CREDITS - FEBRUARY 20-22
MEETING OF CONSENSUS PARTICIPANTS

1. SUMMARY: FEBRUARY 22 MEETING OF 20 CONSENSUS
PARTICIPANTS APPROVED AD REFERENDUM THE TEXT OF A NEW
INTERNATIONAL ARRANGEMENT ON EXPORT CREDITS. THE NEW
ARRANGEMENT, TO BE EFFECTIVE ON APRIL 1, 1978, PRO-
VIDES FOR IMPROVEMENTS IN REPORTING REQUIREMENTS,
ESTABLISHES CERTAIN COMMON DEFINITIONS, AND ESTABLISHES
SPECIFIC PROCEDURES FOR NOTIFICATION AND MATCHING OF
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DEROGATIONS FROM THE TERMS OF THE ARRANGEMENT.
SUBSTANTIVE IMPROVEMENTS IN INTEREST RATE MATRIX
AND REPAYMENT TERM GUIDELINES IMPORTANT TO U.S.
AND OTHERS COULD NOT BE AGREED TO AND INTEREST RATES
AND REPAYMENT TERMS OF PRESENT CONSENSUS WERE NOT
CHANGED. MAJOR DIFFICULTY IN IMPROVEMENT IN INTEREST
RATES AND REPAYMENT TERMS REVOLVED AROUND EC OPPOSITION

TO RAISE RATES PARTICULARLY THOSE APPLICABLE TO RELATIVELY POOR COUNTRIES AS PROPOSED BY THE U.S. EC, BASED ON FRENCH AND U.S. OPPOSITION, REFUSED TO INCLUDE PERIODIC REPORTING ON EXPORT INFLATION AND EXCHANGE RISK INSURANCE. EC ALSO REFUSED TO PROVIDE ANNUAL REPORTING ON MIXED AND TIED AID CREDITS. MAJOR AREA OF CONTROVERSY WAS U.S. INSISTENCE ON EXCLUSION OF CRYOGENIC (LNG) TANKERS FROM TERMS OF ARRANGEMENT, WITH EC COUNTRIES ALLEGING U.S. DELEGATION HAD AGREED IN 1976 TO APPLY CONSENSUS TERMS TO ALL VESSELS, INCLUDING LNG TANKERS. NEGOTIATIONS ALMOST BROKE DOWN, BUT DEBATE RESOLVED BY U.S. AGREEMENT TO APPLY NEW ARRANGEMENT TERMS TO ALL SHIPS EXCEPT LNG TANKERS, WITH LIMITED PRIOR NOTICE WHEN TERMS FOR LNG TANKERS EXCEED THOSE OF ARRANGEMENT.

2. BEGINNING FEB. 15 AND THROUGH FEB. 22, 1978, SMALL DRAFTING GROUP CONSISTING OF OECD SECRETARIAT, U.S., EC, AUSTRALIA, SWEDEN, JAPAN, AND SPAIN (CANADA INVITED BUT NOT ATTENDING) CONDUCTED EXTENSIVE NEGOTIATIONS IN EFFORT TO REMOVE REMAINING BRACKETS FROM DRAFT ARRANGEMENT AND TO RESOLVE NEW DIFFERENCES. EC WAS UNWILLING TO MAKE ANY SUBSTANTIVE IMPROVEMENTS OF INTEREST TO U.S. IN EXISTING INTEREST RATE MATRIX OR REPAYMENT TERM GUIDELINES. DESPITE DISAPPOINTMENT REGISTERED BY U.S. AND NON-EC DRAFTING GROUP MEMBERS, LIMITED OFFICIAL USE

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DISCUSSION PROCEEDED WITH AIM TO REACH AGREEMENT ON NEW ARRANGEMENT. WHILE NOT AGREEING TO CHANGES PROPOSED BY U.S. FOR MIXED CREDITS, FRENCH IN BILATERAL MEETING INFORMALLY AGREED TO SUPPLY BILATERALLY INFORMATION ON MIXED CREDITS. END SUMMARY.

3. INTEREST RATES: MINIMUM RATES REMAIN THE SAME AS UNDER PRESENT CONSENSUS. DESPITE STRONG U.S. PRESSURE FOR QUARTER-POINT INTEREST INCREASE IN CREDITS TO THE RELATIVELY POOR COUNTRIES WITH 8.5 TO 10 YEAR MATURITY, EC WAS WILLING TO OFFER ONLY QUARTER POINT INCREASE IN CREDITS FOR INTERMEDIATE COUNTRIES WITH TWO TO FIVE YEAR REPAYMENT TERM. EVEN THIS OFFER CONDITIONED ON U.S. AGREEMENT TO REDUCE MATURITY LIMIT ON CREDITS TO RELATIVELY RICH COUNTRIES TO FIVE YEARS. SINCE U.S. HAD LITTLE INTEREST IN THIS OFFER, EC PROPOSAL WAS REJECTED. HOWEVER, AGREEMENT REACHED THAT INTEREST NORMALLY WILL BE PAYABLE NOT LESS FREQUENTLY THAN SEMIANNUALLY AND THAT CAPITALIZATION OF INTEREST DURING THE REPAYMENT TERM NOT PERMITTED. PARTICIPANTS WILL EXCHANGE DESCRIPTIONS OF PRESENT INTEREST PRACTICES

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INRE-00 L-03 OES-07 DOE-11 SOE-02 DOEE-00 NASA-01
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FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 7081
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USOECD/USEEC

AND CHARGES THROUGH OECD SECRETARIAT BY APRIL 1.

4. MAXIMUM REPAYMENT TERMS: MAXIMUM REPAYMENT
TERMS REMAIN THE SAME AS UNDER PRESENT CONSENSUS.
AGREEMENT REACHED, HOWEVER, THAT REPAYMENT OF
PRINCIPAL SHALL NORMALLY BE MADE IN EQUAL INSTALL-
MENTS NOT LESS FREQUENTLY THAN SEMIANNUALLY.

5. ANCILLARY INSURANCE PROGRAMS (EXPORT INFLATION
AND EXCHANGE RISK PROGRAMS): EC DID NOT AGREE TO
ANNUAL REPORTING OF THESE PROGRAMS PURPORTEDLY BECAUSE
THE EXPORT INFLATION INSURANCE SCHEMES WERE BEING
DISCUSSED WITHIN THE GATT.

6. SPECIAL SECTORS: U.S. AGREED TO MAXIMUM REPAY-
MENT TERM OF EIGHT YEARS FOR GROUND SATELLITE
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COMMUNICATION STATIONS AND 12 YEARS FOR CONVENTIONAL POWER PLANTS. STANDARD REPAYMENT TERMS WILL NOW APPLY TO STEEL MILLS. THERE WILL BE CONTINUED EXCEPTIONS FOR MILITARY EQUIPMENT, NUCLEAR POWER PLANTS, AGRICULTURAL COMMODITIES, AND AIRCRAFT. ARRANGEMENT ALSO DOES NOT EXPRESSLY APPLY TO SHIPS COVERED BY THE MORE RESTRICTIVE 1975 OECD UNDERSTANDING ON EXPORT CREDITS FOR SHIPS, BUT U.S. WILL APPLY ARRANGEMENT TO THESE SHIPS, EXCEPT (LNG) CRYOGENIC TANKERS. U.S. MAINTAINED THAT SHIPS WERE NOT COVERED BY OLD CONSENSUS. EC CLAIMED THAT U.S. HAD AGREED IN 1976 THAT CONSENSUS COVERED SHIPS ALTHOUGH U.S. WOULD NOT FOLLOW THE 1975 OECD UNDERSTANDING ON SHIPS, TO WHICH MOST OTHER CONSENSUS PARTICIPANTS ADHERE. EC INDICATED UNWILLINGNESS TO AGREE TO NEW ARRANGEMENT UNTIL THIS ISSUE WAS RESOLVED. DEADLOCK WAS BROKEN BY U.S. OFFER TO APPLY NEW ARRANGEMENT TERMS TO ALL SHIPS EXCEPT LNG TANKERS, WITH REQUIREMENT OF LIMITED PRIOR NOTIFICATION WHEN TERMS FOR LNG TANKERS EXCEED THOSE OF ARRANGEMENT. U.S. ALSO AGREED TO PURSUE EFFORTS TO ESTABLISH COMMON PROVISIONS FOR ALL SHIPS AND TO CONFIRM APPROPRIATE APPLICATION OF NEW ARRANGEMENT IN FORMAL NOTICE OF ADHERENCE TO OECD SECRETARIAT. NEW ARRANGEMENT ALSO APPLIES TO ALL SHIPS NOT COVERED BY 1975 OECD UNDERSTANDING.

7. TIED AID CREDITS (INCLUDING MIXED CREDITS):
U.S. DESIRE TO INCREASE PRIOR NOTIFICATION PROCEDURE TO COVER CREDITS FALLING IN 15 PERCENT TO 25 PERCENT GRANT ELEMENT CATEGORY AND TO OBTAIN ANNUAL REPORTS ON THESE CREDITS WAS UNSUCCESSFUL DUE TO FRENCH RESISTANCE. HOWEVER, FRENCH AGREED INFORMALLY TO SUPPLY CERTAIN DATA TO U.S. ON BILATERAL BASIS.
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8. PRIOR COMMITMENTS AND PROCEDURES: NEW ARRANGEMENT CLOSES NUMEROUS LOOPHOLES BY ESTABLISHING REPORTING AND TERMINATION PROCEDURES FOR PRIOR NON-CONFORMING LINES OF CREDIT AND INDIVIDUAL OFFERS, NOTIFICATION REQUIREMENTS FOR DEROGATIONS, AND PROCEDURES FOR MATCHING. STANDARD FORMATS FOR NOTIFICATION WERE ESTABLISHED. ALTHOUGH SOME ASPECTS OF CRITICAL DEFINITIONS OF INTEREST RATE AND OFFICIAL SUPPORT WERE NOT RESOLVED, PARTICIPANTS FOR THE FIRST TIME AGREED ON DEFINITIONS OF MANY OTHER TERMS.

9. LOCAL COSTS: LOCAL COST SUPPORT IN RELATIVELY RICH COUNTRIES WILL BE LIMITED TO INSURANCE AND GUARANTEES.

10. REVIEW: FIRST REVIEW TO TAKE PLACE IN OCTOBER 1978 AND ANNUALLY THEREAFTER. REVIEW WILL EXAMINE OPERATION OF GUIDELINES, INCLUDING NOTIFICATION PROCEDURES; DEROGATIONS AND MATCHING; PRIOR COMMITMENTS; AGRICULTURAL CREDITS; AND NEW MEMBERS. NO EXPIRATION DATE SET FOR ARRANGEMENT, ALTHOUGH PARTICIPANTS HAVE RIGHT OF WITHDRAWAL UPON 60 DAYS WRITTEN NOTICE.
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Message Attributes

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